

## Chapter 2

# Veterans' Eligibility and Entitlement

## Overview

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## 2.01 How to Establish the Applicant's Eligibility for a VA Loan

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### What is Eligibility?

Eligibility is the veteran's entitlement to VA home loan benefits under the law, based on military service. An eligible veteran must still meet credit and income standards in order to qualify for a VA-guaranteed loan. A lender **cannot** make a VA-guaranteed loan to an ineligible applicant under any circumstances.

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### The Lender's Role

Before processing a loan for an applicant, the lender must ensure VA has determined the applicant is an eligible veteran. Each application must be evaluated by VA to see if the applicant meets criteria established by law.

It is critical that a potential borrower's eligibility be established early in the loan process. This assures that a lender is working with an eligible party. Delaying the application for eligibility can create the following problems:

- Time and money may have been expended needlessly, if VA determines the veteran is not eligible.
- The loan closing may be delayed pending a final determination, if the veteran's eligibility determination is more complex than normal.

Once VA finds an applicant eligible, VA issues the veteran either

- VA Form 26-8320, Certificate of Eligibility for Loan Guaranty Benefits, or
- VA Form 26-8320a, Certificate of Eligibility for Loan Guaranty Benefits (Reserves/National Guard).

**A Certificate of Eligibility is the *only* reliable Proof of Eligibility for the Lender.**

Once a Certificate of Eligibility (COE) is received

- there is generally no need to have it updated before loan closing, and
- contact VA if there is some question as to the accuracy of data on the COE.

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## 2.01 How to Establish the Applicant's Eligibility for a VA Loan, Continued

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**The Lender's Role**  
(continued)

Although this chapter discusses some of the basic eligibility criteria, it is **not** intended to provide a lender with all the knowledge necessary to make an eligibility determination; consequently, all the various exceptions and nuances of eligibility are not included. Exhibit 2-A at the end of this chapter provides a quick reference and overview of basic eligibility criteria.

The final eligibility decision is always made by VA.

In all cases in which the applicant does not already have a COE, the applicant, the lender, or an authorized representative acting on the applicant's behalf, should submit a properly completed [VA Form 26-1880, Request for a Certificate of Eligibility for VA Home Loan Benefits](#) to VA, even if it appears the applicant is **not** eligible.

It is important to allow VA to make a formal determination and, if the applicant is ineligible, to notify the applicant of his or her appeal rights.

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## 2.02 What the Certificate of Eligibility Tells the Lender

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<b>Eligibility</b>	The lender may rely on a Certificate of Eligibility as proof that a veteran is eligible for a VA home loan.
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<b>Amount of Entitlement</b>	The amount of available entitlement can be found at the center of the COE in the entitlement section. The maximum available entitlement that can be shown on the COE is \$36,000.
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Even though the veteran may use up to \$50,750 of entitlement for certain loans greater than \$144,000, the COE will never reflect the additional \$14,750 in the available entitlement amount shown. Instead, an asterisk by the word “available” refers to a note which explains the additional entitlement.

**Amount of available entitlement is the most important item on a COE to a Lender, because VA’s guaranty on the loan generally cannot exceed this amount.**

An exception is the additional \$14,750 entitlement available on certain loans greater than \$144,000.

If available entitlement shown is less than \$36,000, it is for one of two reasons

- the maximum entitlement has been changed by law since VA issued the COE, or
- the veteran previously used entitlement that has not been restored.

The last four changes in the law which impacted the maximum available entitlement were as follows.

Maximum Entitlement on COE	Beginning Date
\$36,000	February 1, 1988
\$27,500	October 1, 1980
\$25,000	October 1, 1978
\$17,500	December 31, 1974

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## 2.02 What the Certificate of Eligibility Tells the Lender,

Continued

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### Amount of Entitlement (continued)

If the COE shows available entitlement equal to the maximum in effect on the date the COE was issued or last updated, there is no need to have the COE updated to reflect the current maximum.

The lender can assume the veteran now has \$36,000 available.

If, however, the veteran previously used entitlement which has **not** been restored, available entitlement is reduced by the amount used on the prior loan(s). The lender has two options in this situation:

- Make the loan knowing that VA's guaranty is limited to the amount of available entitlement, or
- Have the veteran apply for restoration of previously used entitlement.

**Reference:** Section 2.06 for an explanation of how to apply for restoration and under what circumstances it may be granted.

**Note:** A veteran without full entitlement but with some portion of the \$36,000 available **can** still use the additional \$14,750 entitlement for certain loans greater than \$144,000. Add the available entitlement on the COE to \$14,750 to calculate total entitlement available for such loans.

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## 2.02 What the Certificate of Eligibility Tells the Lender,

Continued

### Conditions

Conditions that the lender and veteran must comply with are listed on the COE.

Some COE forms list five conditions with a checkmark box (☑) in front of each condition. VA places a checkmark by any that are applicable. The following table provides the actions a lender should take for each condition, if applicable:

Condition	What to Do
Valid unless discharged or released subsequent to date of this certificate. A certification of continuous active duty as of the date of note is required.	Ensure the veteran is still on active duty before closing the loan. If the veteran is discharged or released prior to loan closing, request a new eligibility determination from VA.
Excluded entitlement previously used for VA LIN _____ as shown herein is available only for use in connection with the property which secured that loan.	If the entitlement used for the prior loan identified in this condition is needed for the proposed loan, ensure the proposed loan will be secured by the same property as the prior loan.
Entitlement has been used for manufactured home purposes. Remaining entitlement for additional manufactured home use is: \$_____.	If the proposed loan involves a manufactured home, adhere to the entitlement limit indicated.
Not eligible for any loan to purchase a manufactured home unit until veteran disposes of unit purchased with manufactured home loan number VA LIN_____.	If the proposed loan involves a manufactured home, ensure that the veteran has disposed of the unit indicated.
Entitlement previously used for VA LIN _____ has been restored without disposal of the property, under provision of 38 U.S.C. 3702b(4). Any future restoration requires disposal of all property obtained with a VA loan.	This is information for the veteran. The lender need not be concerned if this condition is applicable, as long as the available entitlement shown on the COE is sufficient for the lender's purposes.

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## 2.02 What the Certificate of Eligibility Tells the Lender, Continued

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**Other COE  
Forms**

Other COE forms may be generated electronically. Only the conditions which apply to the particular veteran will appear on the COE.

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## 2.03 How to Apply for a Certificate of Eligibility

### Procedures

If the applicant does not already have a Certificate of Eligibility, the lender may assist the veteran in following these procedures:

Step	Action
1	<p><a href="#">VA Form 26-1880, Request for a Certificate of Eligibility for VA Home Loan Benefits</a>, from the nearest VA Home Loan Eligibility Center, other VA office, or at <a href="http://www.vba.va.gov/pubs/homeloanforms.htm">http://www.vba.va.gov/pubs/homeloanforms.htm</a>.</p> <p><b>Reference:</b> See Appendix A for a listing of VA offices.</p>
2	<p>Complete the form as thoroughly as possible.</p> <p>Failure to complete necessary items may cause delays.</p>
3	<p>Attach all required documentation to the form.</p> <p><b>References:</b></p> <ul style="list-style-type: none"> <li>• Part “E” of the instructions on the back of the form describes the proof of military service needed.</li> <li>• See Section 2.04 for further details on the required proof of military service including circumstances when it may not be necessary.</li> </ul>
4	<p>Submit the form and attachments to the appropriate VA Eligibility Center:</p> <ul style="list-style-type: none"> <li>• Los Angeles Eligibility Center, if you live in: Alaska, Arizona, Arkansas, California, Colorado, Hawaii, Idaho, Illinois, Iowa, Kansas, Louisiana, Minnesota, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Texas, Utah, Washington, Wisconsin or Wyoming.</li> <li>• Winston-Salem Eligibility Center, if you live in Alabama, Connecticut, District of Columbia, Delaware, Florida, Georgia, Indiana, Kentucky, Maine, Maryland, Massachusetts, Michigan, Mississippi, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Puerto Rico, Rhode Island South Carolina, Tennessee, Vermont, Virginia, or West Virginia.</li> </ul> <p><b>Reference:</b> See Appendix A for the addresses of the Eligibility Centers.</p>

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## 2.03 How to Apply for a Certificate of Eligibility, Continued

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**Application for  
Unmarried  
Surviving  
Spouses**

Certain unmarried spouses of veterans are eligible for the VA home loan benefit (see Section 2.05). If they are applying for the first time, they must complete [VA Form 26-1817, Request for Determination of Loan Guaranty Eligibility-Unmarried Surviving Spouses](#), instead of [VA Form 26-1880](#). They must complete [VA Form 26-1817](#) and forward it to the appropriate VA Eligibility Center.

**Note:** Eligibility determinations for unmarried surviving spouses may take considerably longer to process than others.

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**Previously  
Issued COE is  
Missing**

If the veteran's COE has been lost, stolen or destroyed, the veteran must follow the "Procedures" described in this section to obtain a duplicate (that is, submit a completed request form with required proof of military service).

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**Processing  
Time**

Again, it is very important that the request for a COE be the first step in the loan process for a veteran who does **not** already have a COE.

VA will make every effort to process requests for a Certificate of Eligibility in a timely manner.

- Most can be processed within 7 days of receipt.
- Cases for which the applicant does not clearly meet the basic eligibility criteria will usually require additional development and longer processing time.

**Example:** A case involving an applicant who received an other than honorable discharge may require VA to request discharge records from the appropriate service department.

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## 2.04 Proof of Service Requirements

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### **Discharged Veterans (Regular Military)**

DD Form 214, Certificate of Release or Discharge From Active Duty, will generally contain all the information needed for VA to make an eligibility determination for persons who served in a regular component of the Armed Forces.

VA will accept originals or legible copies of the DD Form 214.

Persons separated from military service after January 1, 1950 should have received DD Form 214. Persons separated after October 1, 1979 should furnish Copy 4 of DD Form 214 which includes character of service and separation reason. Persons separated from active duty before January 1, 1950 received documentation other than DD Form 214. To be acceptable it should indicate

- length of service, and
  - character of service.
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### **Veterans Still on Active Duty**

Veterans still on active duty must provide a current statement of service signed by, or by the direction of, the adjutant, personnel office, or commander of the unit or higher headquarters they are attached to. There is no one form used uniformly by the military for a statement of service. While statements of service are typically on military letterhead, some may be computer generated.

The statement of service must clearly show

- veteran's full name
  - Social Security Number (SSN)
  - date of birth
  - the entry date on active duty
  - the duration of lost time, if any, and
  - the name of the command providing the information.
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## 2.04 Proof of Service Requirements, Continued

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**Discharged  
Reserve/Guard  
Members**

There is no one form used by the Reserves or National Guard which is similar to DD Form 214.

Discharged members of the Army or Air National Guard may submit NGB Form 22, Report of Separation and Record of Service, or a points statement.

Typically, all members of the Reserves and/or Guard receive an annual retirement points summary which indicates the level and length of participation. The applicant should submit the latest such statement received along with evidence of honorable service.

VA will accept originals or legible copies.

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**Current  
Reserve/Guard  
Members**

Individuals who are still members of the Reserves/Guard must provide a statement of service signed by, or by the direction of, the adjutant, personnel office, or commander of the unit or higher headquarters they are attached to. There is no one form used uniformly by the military for a statement of service. While statements of service are typically on military letterhead, some may be computer-generated.

The statement of service must clearly show

- veteran's full name
- Social Security Number (SSN)
- entry date of applicant's Reserve/Guard duty, and
- the name of the command providing the information.

**Note:** The statement must clearly indicate that the applicant is an "active" reservist and not just in a control group (inactive status).

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## 2.04 Proof of Service Requirements, Continued

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**Assistance in  
Obtaining  
Required Proof  
of Service**

There will be cases where an applicant discharged from service is unable to provide his or her proof of service. If the veteran has been discharged from regular active duty, submission of [VA Form 26-1880](#) to the appropriate Eligibility Center should not be delayed while the veteran attempts to obtain evidence of service since VA may be able to make a determination by referring to internal records. Otherwise, discharged reservists and other discharged vets for whom VA has no internal records should obtain an SF 180, Request Pertaining to Military Records from the nearest Eligibility Center, other VA Office, or at [www.vba.va.gov/pubs/forms1.htm](http://www.vba.va.gov/pubs/forms1.htm). An SF 180 can be used by the veteran to request a copy of his or her DD Form 214 or equivalent.

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## 2.05 Basic Eligibility Requirements

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**General Rule  
for Eligibility**

A veteran is eligible for VA home loan benefits if he or she served on active duty in the Army, Navy, Air Force, Marine Corps, or Coast Guard after September 15, 1940, and was discharged under conditions other than dishonorable after either

- 90 days or more, any part of which occurred during wartime, or
- 181 continuous days or more (peacetime).

**2 Year Requirement:** A greater length of service is required for veterans who

- enlisted (and service began) after September 7, 1980, or
- entered service as an officer after October 16, 1981.

These veterans must have completed either

- 24 continuous months of active duty, or
- the full period for which called or ordered to active duty, but not less than 90 days (any part during wartime) or 181 continuous days (peacetime).

**Note:** Cases involving other than honorable discharges will usually require further development by VA. This is necessary to determine if the service was under other than dishonorable conditions.

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## 2.05 Basic Eligibility Requirements, Continued

### Wartime and Peacetime

Wartime and peacetime refer to the following periods of service:

Wartime	Peacetime
World War II 9/16/40—7/25/47	Post World War II period 7/26/47—6/26/50
Korean conflict 6/27/50—1/31/55	Post Korean period 2/1/55—8/4/64
Vietnam Era 8/5/64—5/7/75 (The Vietnam Era begins 2/28/61 for those individuals who served in the Republic of Vietnam.)	Post Vietnam period 5/8/75—8/1/90
Persian Gulf War 8/2/90—date to be determined	

### Eligibility for Reserves and/or Guard

Members of the Reserves and National Guard who are not otherwise eligible for loan guaranty benefits are eligible upon completion of 6 years service in the Reserves or Guard. The applicant must have been honorably discharged from such service unless he or she is either

- in an inactive status awaiting final discharge, or
- still serving in the Reserves or Guard.

Eligibility for Reserves and Guard expires on 9/30/07.

### Eligibility of Spouses of Veterans

Some spouses of veterans may have home loan eligibility. They are

- the unmarried surviving spouse of a veteran who died as a result of service or service-connected causes, and
- the spouse of an active duty member who is listed as missing in action (MIA) or a prisoner of war (POW) for at least 90 days. Eligibility under this MIA/POW provision is limited to one time use only.

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## 2.05 Basic Eligibility Requirements, Continued

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**Other  
Qualifying  
Service**

Congress has periodically granted veteran status to groups other than members of the Army, Navy, Marine Corps, and Coast Guard, such as certain members of the Public Health Service, cadets at the service academies, certain merchant seaman, etc.

Lenders should contact the appropriate VA Eligibility Center for assistance when one of these unique cases is encountered.

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**Exceptions to  
Length of  
Service  
Requirements**

There are numerous exceptions to the length of service requirements outlined in this section. For example, one day of service is sufficient for an individual who is discharged or released from service (regular or Reserve/Guard) due to a service-connected disability.

Because of the complexity and number of exceptions, this chapter does **not** attempt to cover all of them. The exceptions provide another reason to submit a formal eligibility application to VA in all cases, even if it appears the applicant is not eligible.

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## 2.06 Restoration of Previously Used Entitlement

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### Basic Restoration

Entitlement previously used in connection with a VA home loan may be restored under certain circumstances. Once restored it can be used again for another VA loan. Restoration of previously used entitlement is possible if

- the property which secured the VA guaranteed loan has been sold, **and** the loan has been paid in full, or
- an eligible veteran-transferee has agreed to assume the outstanding balance on a VA loan and substitute his or her entitlement for the same amount originally used on the loan. The assuming veteran must also meet occupancy, income and credit requirements of the law.

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### Special Restoration Cases

In addition to the basic restoration criteria outlined above, a veteran may obtain restoration of the entitlement used on a prior VA loan under any of the following circumstances:

- the prior VA loan has been paid in full and the veteran has made application for a loan to be secured by the same property which secured the prior VA loan, or

**Note:** This includes refinancing situations in which the prior loan will be paid off at closing from a VA refinancing loan on the same property.

- the prior VA loan has been paid in full, but the veteran has not disposed of the property securing the loan. The veteran may obtain restoration of the entitlement used on the prior loan in order to purchase a different property one time only. Once such restoration is effected, the veteran's Certificate of Eligibility will indicate the one time restoration. It will also advise that any future restoration will require disposal of all property obtained with a VA loan.

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## 2.06 Restoration of Previously Used Entitlement, Continued

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**How to Apply  
for Restoration**

The veteran must complete and send [VA Form 26-1880](#), Request for a Certificate of Eligibility, to the appropriate Eligibility Center. If the veteran has evidence of payment in full of any prior loans (HUD-1, settlement statement, etc), a copy should be included. Additionally, any previously issued COEs should be included.

If the veteran is applying for restoration in order to obtain another VA loan on the same property (as described above in "Special Restoration Cases"), the veteran should include a copy of the loan application submitted to the lender along with [VA Form 26-1880](#). Unmarried surviving spouses applying for restoration of entitlement also need to complete [VA Form 26-1880](#) supplying the deceased veterans military service data and VA claims file number.

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## 2.07 Misuse of Veteran's Entitlement

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**What Constitutes Misuse?**

A basic requirement of the law governing the VA home loan program is that the veteran has a bona fide intention of occupying his or her property as a home. Home loan entitlement is **not** being used properly if the veteran arranges to sell or convey the property to a third party prior to closing the loan.

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**What to Do**

Contact the VA Regional Loan Center with jurisdiction over the loan for advice regarding any case in which there may be a question regarding the legality of entitlement use.

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## 2.08 Certificate of Veteran Status - FHA Loans

### General

Section 203(b)(2) of the National Housing Act permits a veteran to obtain slightly better terms than a non-veteran when obtaining Federal Housing Administration (FHA) mortgage financing. Although this involves FHA loans, VA is charged with making the entitlement determination for benefits under this provision. VA will issue a Certificate of Veteran Status, VA Form 26-8261, to any eligible veteran-applicant to use when obtaining an FHA loan.

### How to Apply

The lender may assist the veteran in following these procedures:

Step	Action
1	Obtain VA Form 26-8261a, Request for Certificate of Veteran Status, from the nearest VA Eligibility Center.  <b>Reference:</b> See Appendix A for a listing of VA offices.
2	Complete the form as thoroughly as possible.  Failure to complete necessary items may cause delays.
3	Attach proof of military service to the form.  <b>Reference:</b> See Section 2.04 for further details on the required proof of military service.
4	Submit the form and attachments to the appropriate VA Eligibility Center.

### Veteran Found Ineligible

Additionally, veterans who apply for VA benefits on [VA Form 26-1880](#) and are found ineligible, may be found eligible for the FHA program. If so, they will be issued an FHA Certificate of Veteran Status concurrent with VA's notice of denial of eligibility for the VA program.

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## 2.08 Certificate of Veteran Status - FHA Loans, Continued

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|-----------------------|--|
| <b>Qualifications</b> | Generally, eligibility may be established through <ul style="list-style-type: none"><li>• active duty in the Armed Forces</li><li>• active duty for training in a reserve component of the Armed Forces, or</li><li>• active duty or active duty for training in the National Guard or Air National Guard.</li></ul> |
|-----------------------|--|

The length of service requirements are similar to the requirements for a VA Certificate of Eligibility.

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- |                         |  |
|-------------------------|--|
| <b>Break in Service</b> | <p>One important distinction between VA and FHA eligibility requirements is</p> <p>For an FHA Certificate of Veteran Status, a veteran must have been discharged or released under conditions other than dishonorable.</p> <ul style="list-style-type: none"><li>• A VA Certificate of Eligibility can be issued to a veteran still on active duty.</li><li>• An FHA Certificate of Veteran Status cannot be issued to a person who is still serving on active duty and has had no break in service.</li></ul> |
|-------------------------|--|
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## Exhibit 2-A: Quick Reference Table for VA Eligibility

ERA	Dates	Time Required
WW II	9/16/40—7/25/47	90 days
POST WW II	7/26/47—6/26/50	181 days
KOREAN	6/27/50—1/31/55	90 days
POST KOREAN	2/1/55—8/4/64	181 days
VIETNAM	8/5/64—5/7/75  <i>Note:</i> The Vietnam Era began 2/28/61 for those individuals who served in the Republic of Vietnam.	90 days
POST VIETNAM	5/8/75—9/7/80 5/8/75—10/16/81 9/8/80—8/1/90 10/17/81—8/1/90	enlisted—181 days officers—181 days enlisted—2 years** officers—2 years**
PERSIAN GULF	8/2/90—present	2 years  <b>**Note:</b> The veteran must have served 2 years or the full period which called or ordered to active duty (at least 90 days during wartime and 181 during peacetime).

Other Eligible Persons	Time Required
Active Duty Member  <i>Note:</i> Certificate only valid while veteran remains on active duty.	90 days (181 during peacetime)
Reserves/Guard	6 years in Selected Reserves.
UNMARRIED SURVIVING SPOUSES	No time requirement. Veteran must have died on active duty or from a service-connected disability.
POW/MIA Spouses	Veteran must have been POW or MIA 90 days.

Application for Unmarried Surviving Spouses. *See* Section 2.05 Basic Eligibility Requirements

Basic Eligibility Requirements. *See* 2-13 thru 2-15

Certificate of Eligibility, 4. *See* Section 2.03, Internet Address

Certificate of Veteran Status - FHA Loans. *See* Section 2.04, Proof of Service Requirements

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